

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-08 TRSE-00 AID-05 IGA-02 SP-02

OMB-01 CIAE-00 INR-07 NSAE-00 DODE-00 /036 W

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R 110925Z APR 77

FM AMEMBASSY AMMAN

TO SECSTATE WASHDC 1251

INFO USDOC WASHDC

C O N F I D E N T I A L AMMAN 2072

USDOC FOR CAGNE

E.O. 11652: GDS

TAGS: EMIN, EINV

SUBJECT: AGRICO PARTICIPATION IN JORDAN PHOSPHATE FERTILIZER
COMPANY (JPFI)

REF: (A) AMMAN 1799

1. ON APRIL 9, HAROLD MAUNE, PROJECT MANAGER FOR AGRICO IN JPFI, AND SAMI HABAYEB, LOCAL AGRICO ATTORNEY, CALLED ON AMBASSADOR TO EXPLAIN AGRICO'S POSITION REGARDING ITS DIFFERENCES WITH AGRICO'S JORDANIAN PARTNER. MAUNE AND HABAYEB SAID THAT THERE ARE TWO PRINCIPAL POINTS OF DIFFERENCE: AGRICO HOLDS THAT WORK ON THE FERTILIZER COMPLEX CANNOT GO FORWARD UNTIL THERE IS A CONTRACT FOR SUPPLY OF ROCK TO JPFI FROM JORDANIAN PHOSPHATE MINING COMPANY, AND AGRICO DISPUTES PRICE ESTIMATES FOR PHOSPHATE ROCK AND DI-AMMONIUM PHOSPHATE FERTILIZER THAT IFC HAS ESTIMATED IN ITS APPRAISAL REPORT FOR 1980. BOTH POINTS OF DISAGREEMENT CALL INTO QUESTION, ACCORDING TO AGRICO REPRESENTATIVES, FINANCIAL PLAN FOR PROJECT, IE.. ITS PROFITABILITY.

2. AFTER SOME PRELIMINARY TALK AROUND THE ISSUE,
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AGRICO REPRESENTATIVES CONCEDED THAT AGRICO WOULD LIKE TO WITHDRAW FROM PROJECT ENTIRELY, PRIMARILY ON GROUNDS THAT AGRICO FUNDS COULD BE INVESTED MORE PROFITABLY ELSEWHERE. THEY CAUTIONED THAT THEY COULD NOT SPEAK AUTHORITATIVELY FOR AGRICO MANAGEMENT, BUT IN FACT SEEMED QUITE CERTAIN OF AGRICO POSITION. ADDITIONALLY, HABAYEB SAID

THAT HJORDAN PROJECT HAD HAD FULL BACKING OF PREVIOUS AGRICO PRESIDENT, BUT DID NOT ENJOY SIMILAR DEGREE OF PERSONAL COMMITMENT BY NEW PRESIDENT.

3. ACCORDING TO AGRICO REPRESENTATIVES, IDEALLY AGRICO WOULD WITHDRAW FROM BOTH EQUITY PARTICIPATION AND MANGMENT CONTRACT AND HAVE REFUNDED TO AGRICO ITS \$4 MILLION IN PAID-IN CAPITAL WITH INTEREST. HOWEVER, IN INTERESTS OF NEGOTIATING POSITION WITH ITS GOJ PARTNER, AGRICO DOES NOT WANT TO OFFER TO WITHDRAW, BUT WOULD PREFER THAT GOJ INVITE ITS WITHDRAWAL. IN JPFI BOARD MEETING TO BE HELD LATER ON APRIL 9, HABAYEB TOLD AMBASSADOR THAT HE WOULD REITERATE AGRICO'S POSITION ON TWO POINTS NOTED ABOVE ON QUESTIONABILITY OF FINANCIAL PLAN FOR FERTILIZER PROJECT. WE IMAGINE THAT TO PRESERVE ITS OWN NEGOTIATING POSITION, GOJ WOULD MUCH PREFER AGRICO TO STATE ITS DESIRE TO WITHDRAW, RATHER THAN FOR GOJ TO REQUEST THAT AGRICO DO SO.

4. AGAIN NOTING THAT THEY DID NOT HAVE AUTHORITY TO SPEAK FOR AGRICO TOP MANAGEMNT, REPRESENTATIVES SAID THAT DID NOT SEE ROOM FOR ACCOMMODATION BETWEEN AGRICO AND GOJ ON ONE HAND AND AGRICO AND IFC ON OTHER REGARDING OUTSTANDING POINTS OF DIFFERENCE. IN EVENT THAT ANNUAL JPFI GENERAL ASSEMBLY MEETING IS HELD LATE THIS MONTH AS SCHEDULED, WHICH AT THIS POINT SEEMS DOUBTFUL, AGRICO OFFICIALS WHO CAN SPEAK AUTHORITATIVELY FOR COMPANY WOULD BE CONFIDENTIAL

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VISITING JORDAN TO ATTEND.

5. ON STRICTLY CONFIDENTIAL BASIS, MAUNE AND HABAYEB REVEALED THAT THEY HAD OBTAINED COPY OF MEMO FROM JORDANIAN MEMBERS OF JPFI BOARD (REPORTED PARAGRAPH #2 REFTEL). THEY THUS UNDERSTAND FULLY DEPTH OF CONCERN OF THEIR JOINT VENTURE PARTNER AND STEPS GOJ MAY TAKE IF OUTSTANDING DISAGREEMENTS ARE NOT RESOLVED AMICABLY. END OF MAY IS TERMINAL POINT FOR RESOLUTION OF DIFFERENCES, ACCORDING TO AGRICO REPRESENTATIVES, AS IT IS AT THAT POINT THAT DECISION ON COMMITMENT OF MAJOR FUNDING FOR CONTINUATION OF PROJECT IS NECESSARY.

6. IN SEARCHING FOR POSSIBLE WAYS OUT OF IMPASSE, IT WAS SUGGESTED THAT NEW EQUITY PARTNER AND NEW MANAGEMENT/MARKETING ADVISORS (WHICH NEED NOT NECESSARILY BE FROM SINGLE SOURCE) BE FOUND TO REPLACE AGRICO. THIS WOULD ALLOW PROJECT TO

PROCEED WITHOUT EITHER GOJ OR AGRICO HAVING TO RESORT TO MUTUALLY DAMAGING INTERNATIONAL ARBITRATION TO SEVER THEIR RELATIONSHIP, WHICH SEEMS QUITE POSSIBLE AT THIS POINT. AGRICO REPRESENTATIVES WENT SO FAR AS TO SUGGEST THAT USG SHOULD SEEK OUT SUCCESSOR(S) FOR AGRICO PARTICIPATION. IT WAS MADE CLEAR TO AGRICO THAT THIS MIGHT BE SOMETHING IT SHOULD DO ITSELF IF IT WANTED TO TERMINATE ITS JORDANIAN RELATIONSHIP ON AMIABLE BASIS.

7. ACTION REQUESTED--WE SUGGEST THAT DEPARTMENT CONTACT IFC INFORMALLY TO DETERMINE ITS VIEW OF DISPUTE BETWEEN AGRICO AND GOJ. IF APPROPRIATE, DEPARTMENT SHOULD ATTEMPT TO DETERMINE WHAT ROLE IFC IS PLAYING OR IS WILLING TO PLAY IN FACILITATING SOLUTION TO PROBLEM. WHAT WE SPECIFICALLY HAVE IN MIND IS POSSIBLE EFFORT OF IFC OR WORLD BANK TO
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IDENTIFY SUCCESSOR(S) FOR PRESENT AGRICO ROLE IN JPFI. HOWEVER, AS BOTH CONTENTS OF REFTEL AND THIS MESSAGE HAVE BEEN PROVIDED TO EMBASSY IN STRICTEST CONFIDENCE BY GOJ AND AGRICO RESPECTIVELY, THESE CABLES SHOULD NOT BE DRAWN UPON IN ANY DISCUSSIONS WITH WORLD BANK OR IFC.
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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
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Disposition Date: 22 May 2009
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Executive Order: GS
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Original Handling Restrictions: n/a
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Previous Handling Restrictions: n/a
Reference: 77 AMMAN 1799
Retention: 0
Review Action: RELEASED, APPROVED
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Review Date: 24-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2847669
Secure: OPEN
Status: NATIVE
Subject: AGRICO PARTICIPATION IN JORDAN PHOSPHATE FERTILIZER COMPANY (JPFI)
TAGS: EMIN, EINV, JO, AGRICO, JPFI-JORDAN PHOSPHATE FERTILIZER CO
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/e652bca7-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009